

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC	)	
SERVICE COMMISSION OF THE	)	
APPLICATION OF THE FUEL	)	
ADJUSTMENT CLAUSE OF EAST	)	CASE NO. 2000-496-B
KENTUCKY POWER COOPERATIVE,	)	
INC. FROM MAY 1, 2001 TO OCTOBER	)	
31, 2001	)	

O R D E R

Pursuant to Administrative Regulation 807 KAR 5:056, Section 1(11), IT IS  
HEREBY ORDERED that:

1. East Kentucky Power Cooperative, Inc. ("East Kentucky") shall appear at the Commission's offices in Frankfort, Kentucky, on February 19, 2002 at 9:00 a.m., Eastern Standard Time, to submit itself to examination on the application of its fuel adjustment clause ("FAC") from May 1, 2001 to October 31, 2001. Neither opening statements nor witnesses' summaries of prefiled testimony will be permitted.

2. East Kentucky shall notify its customers in writing of the date, time, place, and purpose of the hearing or shall publish such notice in accordance with 807 KAR 5:011, Section 8(5).

3. East Kentucky shall, on or before January 16, 2002, file with the Commission an original and 5 copies of the information requested in Appendix A, attached hereto and incorporated herein. Each copy shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed; for example, Item 1(a), Sheet 2 of 6. East Kentucky

shall furnish with each response the name of the witness who will be available at the public hearing to respond to questions concerning each area of information requested. Careful attention shall be given to copied material to ensure its legibility.

4. Any party who wishes to file testimony in this proceeding or to request information from East Kentucky may petition the Commission for a procedural schedule.

5. All documents that East Kentucky filed with the Commission pursuant to Administrative Regulation 807 KAR 5:056, Section 1(7) and 1(9), for the period under review are incorporated by reference into the record of this proceeding.

6. All parties shall comply with all interrogatories and requests for production of documents.

Done at Frankfort, Kentucky, this 20<sup>th</sup> day of December, 2001.

By the Commission

ATTEST:

  
Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2000-496-B DATED December 20, 2001

1. List each written coal supply solicitation issued during the period from May 1, 2001 to October 31, 2001.

a. For each solicitation, provide the date of the solicitation, the type of solicitation (contract or spot), the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.

b. For each solicitation, state the number of vendors to whom the solicitation was sent, the number of vendors who responded, and the selected vendor. Provide the bid tabulation sheet or corresponding document that ranked the proposals. (This document should identify all vendors who made offers.) State the reasons for each selection.

2. List each oral coal supply solicitation issued during the period from May 1, 2001 to October 31, 2001.

a. For each solicitation, state why the solicitation was not written, the date(s) of the solicitation, the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.

b. For each solicitation, identify all vendors solicited and the vendor selected. Provide the tabulation sheet or other document that ranks the proposals.

(This document should identify all vendors who made offers.) State the reasons for each selection.

3. For the period from May 1, 2001 to October 31, 2001, list each vendor from whom coal was purchased and the quantities and nature of each purchase (e.g., spot or contract).

4. For each generating station or unit for which a separate coal pile is maintained, state for the period from May 1, 2001 to October 31, 2001 the actual amount of coal burned in tons, actual amount of coal deliveries in tons, total KWH generated, and actual capacity factor at which the plant operated.

5. List all power commitments for East Kentucky from May 1, 2001 to October 31, 2001 for (a) purchases and (b) sales. This list shall identify the electric utility, the amount of commitment in MW and the purpose of the commitment (e.g., peaking, emergency).

6. Provide a monthly billing summary for sales to all electric utilities for the period from May 1, 2001 to October 31, 2001.

7. List East Kentucky's scheduled, actual, and forced outages between May 1, 2001 and October 31, 2001.

8. List all existing fuel contracts categorized as long-term (i.e., more than one year in length). Provide the following information for each contract:

- a. Supplier's name and address;
- b. Name and location of production facility;
- c. Date when contract executed;
- d. Duration of contract;

- e. Date(s) of each contract revision, modification or amendment;
- f. Annual tonnage requirements;
- g. Actual annual tonnage received since the contract's inception;
- h. Percent of annual requirements received during the contract's term;
- i. Base price;
- j. Total amount of price escalations to date;
- k. Current price paid for coal under the contract (i+j).

9. a. Does East Kentucky regularly compare the price of its coal purchases with those paid by other electric utilities?

b. If yes, state:

(1) How East Kentucky's prices compare with those of other utilities for the period under review.

(2) The utilities that are included in this comparison and their location.

10. What percentage of East Kentucky's coal, as of the date of this Order, is delivered by:

- a. barge?
- b. rail?
- c. truck?

11. a. State East Kentucky's coal inventory level in tons and in number of days' supply as of October 31, 2001 and December 31, 2001.

b. Describe the criteria used to determine number of days' supply.

c. Compare East Kentucky's coal inventory as of October 31, 2001 and December 31, 2001 to its inventory targets for those dates.

d. If actual coal inventory exceeds inventory target by 10 days' supply, state the reasons for excessive inventory.

e. (1) Does East Kentucky expect any significant changes in its current coal inventory target within the next 12 months?

(2) If yes, state the expected change and the reasons for this change.

12. a. Has East Kentucky audited any of its coal contracts during the period from May 1, 2001 to October 31, 2001?

b. If yes, for each audited contract:

(1) Identify the contract.

(2) Identify the auditor.

(3) State the results of the audit.

(4) Describe the actions that East Kentucky took as a result of the audit.

13. a. Has East Kentucky received any customer complaints regarding its fuel adjustment clause during the period from May 1, 2001 to October 31, 2001?

b. If yes, for each complaint, state:

(1) The nature of the complaint.

(2) East Kentucky's response.

14. a. Is East Kentucky currently involved in any litigation with its current or former coal suppliers?

b. If yes, for each litigation:

- (1) Identify the coal supplier.
- (2) Identify the coal contract involved.
- (3) State the potential liability or recovery to East Kentucky.
- (4) List the issues presented.
- (5) Provide a copy of the complaint or other legal pleading that

initiated the litigation, if not previously filed with the Commission.

c. State the current status of all litigation with coal suppliers.

15. a. During the period from May 1, 2001 to October 31, 2001, have there been any changes to East Kentucky's written policies and procedures regarding its fuel procurement?

b. If yes,

- (1) What were these changes?
- (2) Provide these written policies and procedures as changed.
- (3) When were these changes made?
- (4) Why were they made?

16. a. Is East Kentucky aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the period from May 1, 2001 to October 31, 2001?

b. If yes, for each violation:

- (1) Describe the violation.
- (2) Describe the action(s) that East Kentucky took upon

discovering the violation.

(3) Identify the person(s) who committed the violation.

17. Identify all changes in the organizational structure and personnel of the departments or divisions that are responsible for East Kentucky's fuel procurement activities that occurred during the period from May 1, 2001 to October 31, 2001.

18. a. Identify all changes that East Kentucky has made during the period under review to its maintenance and operation practices and which affect fuel usage at East Kentucky's generation facilities.

b. Describe the impact of these changes on East Kentucky's fuel usage.

19. Provide the line loss percentage for each intersystem sale for the period May 1, 2001 to October 31, 2001.

20. a. Does East Kentucky purchase any coal on behalf of a power marketer to whom it is selling power?

b. If yes, provide details of each transaction.

21. a. During the period under review, did East Kentucky amend its Open Access Transmission Tariff on file with the Federal Energy Regulatory Commission?

b. If yes, describe the amendments and provide the revised tariff sheets.

22. a. State whether each vendor, from whom East Kentucky purchased power during the period May 1, 2001 through October 31, 2001, provided East Kentucky with the fuel cost portion of the energy purchase.

b. If the response to Item 22(a) is “No,” how does East Kentucky report the fuel cost portion of its power purchases from those vendors who fail or refuse to supply fuel cost data?

23. a. State whether East Kentucky’s treatment of power purchases made for the purpose of serving native load is consistent with the following definition of economy power purchases: “Purchases made to serve native load, which displace the utility’s higher cost generation and have an energy cost that is less than the utility’s total avoided variable cost of generation. If such purchases include both demand and energy charges, the energy cost is the amount designated as the energy charge. If such purchases contain a total charge per unit of energy, without separate demand and energy charges, the energy cost is the total amount charged for the purchased power.”

b. To the extent that East Kentucky purchases power, other than purchases of firm capacity, that do not meet the definition of economy power purchases included in part (a), explain how it treats such purchases in terms of cost recovery through the FAC.

c. Does East Kentucky agree that 807 KAR 5:056, Section 1(1)(c) limits recovery through the FAC to energy costs for purchases that substitute for the buyer’s own higher cost energy when the purchase is made on an economic dispatch basis, while 807 KAR 5:056, Section 1(1)(b) limits recovery through the FAC to identifiable fuel costs for purchases made for reasons other than substituting for the buyer’s higher cost energy? If no, explain why not.

d. State whether East Kentucky believes the variable generating costs of combustion turbine peaking units are generally representative of the cost of short-

term (spot market) purchases of power in East Central Area Reliability region. If no, identify what East Kentucky believes would be representative of such purchases and provide the rationale for this belief.